

House Study Bill 161

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
REBUILD IOWA AND DISASTER
RECOVERY BILL BY
CHAIRPERSON SCHUELLER)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to home improvement contractor surety bonds.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
3 TLSB 2002YC 83
4 ak/rj/5

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1 1 Section 1. NEW SECTION. 91C.9 HOME IMPROVEMENT
1 2 CONTRACTOR BOND.
1 3 1. As used in this section:
1 4 a. "Home improvement" means the repair, replacement,
1 5 remodeling, alteration, conversion, modernization, improvement
1 6 of, or addition to land or a building, or a portion of land or
1 7 a building, that is used or designed to be used as a
1 8 residential dwelling.
1 9 b. "Home improvement contractor" means a person acting as
1 10 a sole proprietor or a business organized as a partnership,
1 11 corporation, or association that undertakes or agrees to
1 12 perform any home improvement.
1 13 2. a. A home improvement contractor, prior to entering
1 14 into a home improvement contract in this state, must file with
1 15 the labor commissioner a bond in the amount of twenty-five
1 16 thousand dollars issued by a surety company authorized to do
1 17 business in this state.
1 18 b. The condition of the surety bond is such that the home
1 19 improvement contractor must conform with the laws and rules of
1 20 this state as applicable and for the benefit of any person who
1 21 enters into a home improvement contract with the home
1 22 improvement contractor.
1 23 c. The aggregate liability of the surety bond for any and
1 24 all breaches of the conditions of the surety bond shall not
1 25 exceed the amount of the surety bond regardless of the number
1 26 of years the surety bond is in effect and the number of claims
1 27 made against the surety bond. Any revision of the surety bond
1 28 shall not be cumulative. If the surety's obligation under a
1 29 bond has been exhausted, the contractor is required to file a
1 30 new bond.
1 31 d. The surety bond shall be continuous in nature until
1 32 canceled by the surety company with at least thirty days
1 33 written notice to the labor commissioner and to the home
1 34 improvement contractor. The surety company's obligation under
1 35 the bond shall continue until the surety company has fully
2 1 satisfied the notice requirements of this section.

EXPLANATION

2 2
2 3 This bill requires that before entering into a contract in
2 4 the state of Iowa, a home improvement contractor must file
2 5 with the labor commissioner a \$25,000 surety bond issued by a
2 6 surety company authorized to do business in the state. The
2 7 bill defines both "home improvement" and "home improvement
2 8 contractor".
2 9 The condition on the surety bond must be that the home
2 10 improvement contractor conform with all state laws and rules
2 11 as applicable and for the benefit of any person who enters
2 12 into a contract with the home improvement contractor.
2 13 The total liability of the bond for any and all breaches of
2 14 contract shall not exceed the \$25,000 amount of the bond no
2 15 matter how many years the bond is in effect or the number of
2 16 claims made against the bond. If the surety's obligation
2 17 under a bond is exhausted, the contractor must file a new
2 18 bond.

2 19 The bond shall be continuous until canceled by the surety
2 20 company, which must provide the labor commissioner and the
2 21 home improvement contractor at least 30 days' notice. The
2 22 surety company's obligation does not end until the notice
2 23 requirements are met.
2 24 LSB 2002YC 83
2 25 ak/rj/5